

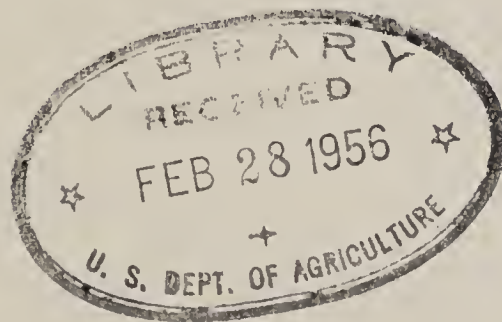
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UNITED STATES DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

COTTON

REVIEW OF COMMODITY CREDIT CORPORATION PROGRAMS 1933-1954



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REVIEW OF COMMODITY CREDIT CORPORATION PROGRAMS, 1933 - 1954

FOREWORD

The net result of all of the cotton programs financed with capital funds of the Commodity Credit Corporation from 1933 through December 31, 1954 except cotton linters, was a profit of \$231 million dollars. The following narrative summary and the attached statistical tables provide a review of the cotton operations of Commodity Credit Corporation which resulted in this profit.

SUMMARY OF COTTON OPERATIONS

Loans

During the period 1933 through December 31, 1954, the Commodity Credit Corporation made loans on 52.2 million bales of cotton having a loan value of about 5.4 billion dollars. The number of bales of cotton pledged for loans amounted to 19.0 percent of the total cotton produced in the United States during this period. Of the cotton pledged for loans, 30.1 million bales or 57.7 percent were redeemed by the borrowers and 15.3 million bales or 29.3 percent were acquired by the Corporation or pooled for the account of producers. Loans on 5,020,919 bales of 1953 crop cotton were outstanding as of December 31, 1954 with a total loan value of \$829,916,977.

Loan rates on middling 15/16 inch cotton gross weight have ranged from a low of 8.6 cents per pound on the 1938 crop to a high of 33.23 cents on the 1954 crop. As percentages of parity at the time the loan was offered to producers, loan rates have ranged from 52 to 95 percent for the 1938 and 1944 crops respectively. Table I attached provides a statistical summary of the cotton loan programs by crop years from 1933 through December 31, 1954, both in terms of the quantity of cotton involved and the loan value. Table 2 shows selected factors affecting the CCC loan program on cotton during each year from 1933 through December 31, 1954.

Acquisitions

In August 1939, the Corporation liquidated all loans outstanding on the 1934 and 1937 crops by taking title to 1,665,000 bales of 1934 crop cotton, (including an undertermined amount of 1933 crop cotton converted to 1934 loans) and 5,256,000 bales of 1937 crop cotton, a total of 6,921,000 bales. This cotton had a loan value of \$339,567,000. Where the grade and staple of the cotton acquired was such that its market value on the date of acquisition was in excess of the loan value plus charges, producers were reimbursed for the difference, which represented their equity in the loan collateral. The cotton taken over from the 1937 loan represented 94 percent of the total pledged for loans, and about 29 percent of the record 1937 crop of over 18 million bales.

Beginning with the 1938 crop, the Corporation pooled the unredeemed loan cotton from each crop and sold it for the account of the borrowers. About 6.7 million bales of cotton have been pooled and sold for producer's accounts through December 31, 1954.

In September 1944, the Corporation began purchasing cotton at parity prices. 2,471,000 million bales were purchased direct from producers from the 1944 crop and about 400,000 bales from the 1945 crop, making total purchases at parity prices of almost 3.0 million bales. In addition to purchases from producers, the Corporation also purchased in the open market about 125,000 bales during the 1944 marketing year and 550,000 bales during the 1946 marketing year. Total acquisitions for all purposes from 1933 through December 31, 1954 amounted to approximately 19 million bales. Most of this cotton has been disposed of, only 1,805,000 bales remaining in inventory on December 31, 1954.

In 1946 CCC, in cooperation with the War Department and U. S. Commercial Company, a wholly owned Government corporation, operated cotton export programs to Japan and Germany under which CCC exported cotton to those countries for manufacture into cotton textiles. Payment for the cotton and all other costs in connection with the program was made from the proceeds of the sale of the textiles.

CCC also adopted a program in 1947 designed for the procurement of cotton and cotton waste to meet export requirements of various governmental and private relief organizations.

Financial Results of Commodity Credit Corporation Cotton Programs

Through December 31, 1954, the Commodity Credit Corporation has recorded a profit of 266.7 million dollars on domestic cotton operations. This figure does not include profit on cotton sold for the account of producers, in the amount of 84.7 million dollars. Table 3, attached, shows the detail with respect to financial results of individual programs.

The principal losses or costs arose in connection with the cotton export program, which began in 1944, and on releases of 1934 loan cotton to borrowers at less than loan value in 1936 and 1937. Losses on 1934 cotton released at less than loan value amounted to 14.4 million dollars, while the cost of the export program to Commodity Credit Corporation totaled almost 54 million dollars.

The major portion of the profit of 266.7 million dollars as of December 31, 1954, consists of profits made on the sale of 1934 and 1937 crop cotton acquired by the Corporation from defaulted loans in August 1939. As the loan rates on the 1934 and 1937 cotton crops were 12 and 9 cents per pound, respectively, and as the major portion of the cotton acquired was from the 1937 crop, the average acquisition cost was about 9.7 cents per pound. By January of 1942, when

extensive sales of cotton on the domestic market began, carrying charges had increased the Corporation's investment in the cotton to about 11 cents for 1937 crop cotton and about 16.11 cents for 1934 crop cotton. In the general sales program, announced in January 1942, the Corporation offered middling 15/16 inch cotton at 19 cents per pound. In the following years the sale price received by the Corporation increased with advances in market and parity prices, so that the spread between the Corporation's investment in the cotton and the sales prices was even greater in later years. Profits recorded on sales of 1934 and 1937 cotton alone totaled 193.5 million dollars.

Sales of cotton pooled for the account of producers since inception to December 31, 1954, achieved a total net result of 326 million dollars profit (which amount includes both the producers' equity of \$85 million, and the amount due the Commodity Credit Corporation to offset interest on loans to the date of pooling and on investment in inventory.)

Included in the overall program results of \$266.7 million through December 31, 1954, is a profit of over \$11 million dollars on the sale of rubber acquired from Great Britain in exchange for 600,000 bales of cotton, and a profit of \$11.8 million dollars on purchases of cotton from the 1944 and 1945 crops.

GENERAL CHARACTERISTICS OF LOAN PROGRAMS

The Commodity Credit Corporation has made loans available to cotton producers since its inception in 1933 except during 1936. Loans are made to eligible producers through approved lending agencies (usually commercial banks) through producer's cooperative associations, or directly by the Commodity Credit Corporation. A condition of eligibility for loans has been participation in the acreage adjustment programs of the Department of Agriculture in those years when such a program was in effect. The interest rate charged on cotton loans was 4% per annum from 1933 through 1938. Beginning with the 1939 crop loan, the interest rate was 3% per annum until the 1952 crop when the interest rate was increased to 3-1/2 percent. The interest rate was raised to 4% in 1953 and reduced to 3-1/2 % in 1954. Loans are made on a nonrecourse basis, that is, where loans are not repaid the Corporation must look solely to the collateral for satisfaction of the loan. Loans are secured by the pledge of negotiable warehouse receipts for cotton stored in approved warehouses, although in 1942 and later years a small number of loans have been made on farm-stored cotton secured by chattel mortgages. Beginning with the 1939 program all cotton pledged as collateral for loans must have been classed by a Board of Cotton Examiners of the U. S. Department of Agriculture.

Prior to the enactment of the Agricultural Adjustment Act of 1938, the Corporation made loans under its charter powers. Loan rates were administratively determined during this period and ranged from 52 to 76 percent of parity. Section 302 of the Agricultural Adjustment Act of 1938 made loans mandatory, under certain specified conditions, at rates ranging from 52 to 75 percent of parity. Under later legislation, the level of loan rates has been increased to as high as 95 percent of parity in 1944. The Agricultural Act of 1949 as amended, provides for price support on cotton at 90 percent of parity through the 1954 crop.

The original maturity date of all cotton loans has been the following July 31st., which coincides with the end of the marketing year. Loans not repaid by their original maturity date have frequently been carried in a past due status for additional periods. At the final maturity date, the Corporation either purchases the cotton and sells it for its own account or places the cotton in a pool and sells it for the producers' account. In August and September of 1939 the Corporation purchased all cotton remaining unredeemed from the 1934 and 1937 crop loans. Commencing with the 1938 crop, through the 1951 crop it was the policy of the Corporation to pool the cotton under the terms of the loan agreement for the account of producers. When cotton is pooled, the producer has an equitable interest to participate proratably in any net profits from the sale of the cotton (pool proceeds). Settlement with producers is made after all costs to the Corporation have been deducted, including loan advances, interest, and other charges, and expenses of operating the pools, and payments to producers are in proportion to the amount loaned on the cotton each producer had in the pool. On June 22, 1953, it was announced that loans made on the 1952 crop cotton would be carried in past due status until August 1, 1954, at which time all cotton remaining unredeemed would be purchased by CCC.

Marketing quotas and acreage allotments were not in effect in 1952 and 1953. Loans on 1953 crop cotton were carried in a past due status until July 31, 1955, allowing producers another year in which to redeem their collateral. With the 1954 crop, compliance with acreage allotments and marketing quotas was a condition of eligibility before a producer could secure loans.

PROGRAM HISTORY - BY CROP YEARS

1933-Crop Loan Program

Under the authority of the Charter of the Commodity Credit Corporation, loans were available to cooperating producers at a fixed rate of 10¢ per pound for cotton grading low middling or better and having a staple length of 7/8 inch or better. The loan rate for cotton grading low middling or better but having a staple length of less than 7/8 inch was 8¢ per pound. The loan rate was equivalent to 69% of parity.

There were 1,926,000 bales of cotton pledged under this program, having a loan value of \$99,498,000. This represented approximately 15% of the total production for the year. All of the loans were repaid or converted into 1934 loans.

During the time this loan program was in effect the so called "Plow-up Program" under the Agricultural Adjustment Act of 1933 was in operation. A producer who withheld land from cultivation might receive, (1) a straight, fixed cash rental or, (2) a smaller fixed cash rental plus an option to purchase from the Secretary of Agriculture, cotton of middling grade and 7/8 inch staple at 6¢ per pound to an amount equal to the quantity of cotton which was estimated the producer would otherwise have produced on the land taken out of cultivation. Under Option (2) a producer could direct the Secretary of Agriculture to deliver the cotton to the 1933 Cotton Producers' Pool. Almost all of the cotton which the Secretary used to comply with these requests had been acquired from stocks held by the Federal Farm Board.

Altogether, 1,950,000 bales of cotton were placed in a special pool for those producers who had requested cotton. The Commodity Credit Corporation advanced 4¢ per pound to the manager of the pool for distribution to participating producers. This loan brought the total value of the cotton to 10¢ per

pound or a rate equal to the loan rate for 1933 crop cotton. This advance totaled \$39,034,000 and was paid off by the Secretary of Agriculture on July 31, 1934 when he arranged for financing by various commercial banks.

1934-Crop Loan Program

The loan rate set for the 1934 crop was higher than in the previous year, being 12¢ per pound for cotton grading low middling or better and having a staple length of 7/8 inch or better. The rate for cotton grading low middling or better and having a staple length less than 7/8 inch was 11¢ per pound. The loan rate was equivalent to about 76% of parity.

Approximately 49% of the production of cotton during this crop year was pledged for loans, the total quantity being 4,632,000 bales. The loan value was \$282,644,000. On April 4, 1936, the CCC offered to producers a program whereby they could redeem loan cotton at approximately 3/4¢ per pound less than loan value. Further releases were made in 1937 and in total about 2,740,000 bales of 1934 cotton were released with a loss to the Corporation of over \$14,000,000. Redemptions of 2,967,000 bales (which includes bales released at less than loan value) valued at \$172,790,000, left a total of 1,665,000 bales with a book value of \$109,854,000 in the hands of the Corporation. This quantity was taken over by the Corporation and placed in inventory status in August 1939.

In August 1934, an additional advance of 2¢ per pound, or \$10 a bale (less a reduction of \$2.40 per bale for accrued storage charges), was made on 1,630,000 bales of cotton still remaining in the special producers' pool. This advance totaled \$12,372,000 and was repaid as the cotton was sold from the pool. The last of this pool cotton was disposed of on July 31, 1936.

1935-Crop Loan Program

The loan rate for this crop was lower than for the 1934 crop. The rate for cotton grading low middling or better and $7/8$ inch in staple or better was 10¢ per pound. This loan rate was equivalent to about 62% of parity. A rate of 9¢ per pound was established for cotton grading low middling or better and less than $7/8$ inch in staple.

Since the market price of cotton during the marketing season for this crop was considerably higher than the loan rate, very little cotton entered the loan. Only 115,000 bales were pledged for loans at a value of \$5,777,000. This was only 1% of the crop produced that year. All the loans were repaid.

1936-Crop

No loan was offered on 1936 crop cotton because of the continuing high market prices. The average market price during the season for middling $15/16$ inch cotton at the 10 spot markets was 13.25 cents per pound. This price was higher than that in any prior year since 1929.

1937-Crop Loan Program

With a record crop of over 18,000,000 bales, the price of cotton was severely depressed. The loan rates were lower than in any previous year and were equivalent to 53% of parity. Six loan rates were provided instead of 2 as in all previous programs. These rates were:

9¢ per pound for cotton grading middling or better with a $7/8$ inch staple length, or longer.

8-1/2¢ per pound for cotton grading strict low middling or equivalent $7/8$ inch and longer.

8¢ per pound for cotton grading middling or longer and having a staple length of $13/16$ inch.

7-3/4¢ per pound for cotton grading lower than middling, but having a staple length of $7/8$ inch, or longer.

7¢ per pound for cotton shorter than $7/8$ inch and grading strict low middling or equivalent.

6¢ per pound, for shorter than $7/8$ inch, low middling or equivalent.

There were 5,581,000 bales pledged for loan, representing over 30% of the total crop. The loan value was \$243,275,000. Loans on only 325,000 bales were repaid and the remaining 5,256,000 bales were acquired by the Corporation in September 1939.

1938-Crop Loan Program

A more complete schedule of premiums and discounts was employed for the first time in the loan on 1938 crop cotton. This schedule covered each grade equal to or better than Low Middling White and six staple length groups. This was done to make the loan rates and the market price relationships more nearly approximate. The basic loan rate was 8.30 cents per pound for middling 7/8 inch cotton. Section 302 (C) of the Agricultural Adjustment Act of 1938, directed the Commodity Credit Corporation to make "xxx available to cooperators loans upon cotton during any marketing year beginning in a calendar year in which the average price on August 1 or at any time thereafter during such marketing year of seven-eighths middling spot cotton on the ten markets designated by the Secretary is below 52 per centum of the parity price at any such time, or the August crop estimate for cotton is in excess of a normal year's domestic consumption and exports, at rates not less than 52 per centum and not more than 75 per centum of the parity price of cotton as of the beginning of the marketing year. xxx" In the event marketing quotas were in effect, cooperators with the program were afforded full loans, whereas non-cooperators were to receive loans at only a specified percent of the applicable rate to cooperators on that portion of their production exceeding their marketing quotas. The support price for this loan program was set at a rate reflecting 52% of parity.

The continued weakness of cotton prices during the early months of the 1938 marketing year resulted in heavy applications for loans. Loans were made on 4,482,000 bales of cotton having a loan value of \$205,329,000. This was approximately 39% of the production for the year. The loans were to mature on July 31, 1939 but were carried in a past due status until October 1, 1941.

Because of steadily rising market prices in 1941 toward the end of the period repayments were made by producers on 4,453,000 bales. The remaining 29,000 bales were taken over by the Corporation on October 1, 1941 and placed in a pool for the account of producers.

1939-Crop Loan Program

Though a loan was not mandatory under the terms of the Agriculture Adjustment Act of 1938, since the market price was above 52% of parity at the beginning of the marketing year, it was considered advantageous to offer it for its price-support effects. The loan rate was equivalent to 56% of parity.

The loan program for this year had as a base rate 8.30 cents per pound, gross weight for middling 7/8 inch cotton. An additional 40 points were allowed for tare in converting to a net-weight basis. A further adjustment of loan rates was made to cover the differences in value attributable to the location of cotton in reference to ports and mill areas. Thus, with this program, a complete set of differentials, for both grade and staple and location was established for the first time. For the first time, special agreements were entered into with Cotton Cooperative Marketing Associations (commonly referred to as "Form G" agreements). Under these agreements the associations obtained loans from CCC on cotton delivered to them by and on behalf of their producer members. The highest loan rate, or 9.30 cents per pound net weight, was available in North Carolina and Virginia, varying to a low of 8.70 cents per pound in Western Texas and New Mexico.

Only 30,000 bales of cotton were pledged for loan and only 150 bales were eventually pooled for the account of producers. This was the smallest number of bales entering the loan program to date. The loan, which had a maturity date of July 31, 1940 was carried in past-due status until the pooling of the cotton was accomplished on October 1, 1941 along with some 1938 and 1940 cotton still remaining under loan. The strength of domestic demand and the fact that exports exceeded 6,500,000 bales accounted for the small participation in the program.

1940-Crop Loan Program

The basic loan rate on the 1940 crop was announced on a middling 15/16 inch basis since the cotton markets, both spot and future, had changed from a 7/8 inch standard to a 15/16 inch standard before the 1940 program had been developed. The switch was achieved by adding 25 points to the average loan rate of 8.90 cents per pound for middling 7/8 inch cotton. This differential was established on the basis of currently prevailing market prices for the two staple lengths. The average loan rate on middling 15/16 inch cotton, therefore, was 9.15 cents per pound, gross weight, with both location differentials and premiums and discounts for grade and staple established. Separate classifications were made for the first time on cotton having staple lengths of 1-3/32 inches, 1-5/32 inches and 1-7/32 inches. No loans were made on cotton having a staple length of less than 13/16 inch. The rate for middling 15/16 inch cotton, net weight basis, was 9.55 per pound and varied from a high of 9.90 cents per pound in the Carolina mill areas to 9.16 cents per pound in West Texas and New Mexico, and a rate at all Gulf and Pacific ports of 9.80 cents per pound. The basic rate was calculated at 56% of the parity price.

A total of 3,180,000 bales, or almost 26% of the 1940 crop, entered the loan at a loan value of \$153,140,000. Loans were available through April 30, 1941 and were to mature on July 31, 1941. Only 5,000 bales were not redeemed and these were pooled for the account of producers on October 1, 1941, along with the 1938 and 1939 cotton still remaining under loan.

1941-Crop Loan Program

The Act of May 26, 1941 directed the CCC to make loans at 85% of parity on the 1941 crop. The amendment to this Act of December 26, 1941 required that loans at 85% of parity also be made on the 1942, 1943, 1944, 1945, and 1946 crops. Actually, however, this provision applied only to the 1941 crop since laws were subsequently passed setting the loan rate above 85% of parity for the subsequent years.

The average loan rate for middling 15/16 inch cotton, gross weight, was 14.22 cents per pound. Loan rates were 60 points higher on a net weight basis, and, on this basis, the rates varied from a high of 15.29 cents per pound in the Carolina mill area to 14.40 cents per pound in New Mexico, and a rate of 14.85 cents per pound at Gulf and Pacific ports.

There were 2,221,000 bales pledged for loan, having a loan value of \$153,012,000. The advent of the war in Europe had reduced exports to about 1,000,000 bales, but the increased domestic requirements for the re-armament program together with generally higher domestic industrial production resulted in a record consumption of over 11,000,000 bales. Although the loans were to have matured on July 31, 1942, they were allowed to be carried in past-due status until September 15, 1943 when the 334,000 bales still remaining under loan were pooled for the account of the producers.

1942-Crop Loan Program

For the first time, loans were made available by the Commodity Credit Corporation on farm-stored as well as warehouse-stored cotton. Farm-stored loans were secured by chattel mortgages. The farm storage structure was required to be inspected and approved by loan inspectors, and producers were permitted a storage allowance of 10¢ per bale per month on cotton delivered to the Corporation in satisfaction of the loan.

In order to encourage the production of longer staple cotton required by the war emergency, the premiums were increased on cotton of staple lengths of 1-1/16 inches to 1-1/4 inches. The loan rate originally authorized was based on 85% of parity as of August 1, 1942. The average rate was equivalent to 16.22 cents per pound gross weight, for middling 15/16 inch cotton. The net weight loan rate was 70 points higher to compensate for the lesser number of pounds on which the loan was made.

The Stabilization Act of 1942 authorized a change in the support price on cotton and other commodities from 85% of parity to 90% of parity. The effect of this change was to increase the average loan rate on cotton from 16.22 cents to 17.22 cents per pound, gross weight. On this basis, the rates for middling 15/16 inch cotton, net weight, varied from a high of 18.46 cents per pound in the mill area of the Carolinas to 17.25 cents per pound in Arizona and California. Premiums and discounts for grade and staple were provided.

There were 3,143,000 bales of cotton pledged for loan at a value of 290,762,000. Repayments were made by producers on 1,866,000 bales and the Corporation pooled 1,277,000 bales for the account of producers on August 15, 1944. The 2,000 bales of cotton held under farm storage loans which were not redeemed were acquired by the Corporation outright. The loan rate remained above the market rate for many grades and staples, accounting for the fact that so much cotton was acquired under this program. American Egyptian cotton was supported for the first time by a purchase program. 5,572 bales were purchased at a cost of \$1,086,000, based on a purchase rate of 48.00 cents per pound for No. 2, 1½ inches staple.

1943-Crop Loan Program

Under the pressure of cautious purchasing by mills and continued low exports, the price of cotton on the spot markets remained close to or lower than the relative loan values. The decline in demand was attributable mainly to prospective cutbacks of military orders and to mill buyers who were reducing their inventories to a lower working level. The support price was again at 90% of parity with the average loan rate of middling 15/16 inch cotton, gross weight, set at 19.26 cents per pound. The loan rate for middling 15/16 inch cotton, net weight, was 80 points higher than on the gross weight basis, and varied from a high of 20.50 cents per pound in the mill area of the Carolinas to 19.39 cents per pound in Arizona and Texas. As in 1942, farm-stored cotton as well as warehouse-stored cotton was eligible for loan. A total of 3,594,000 bales or over 32 percent of the crop were pledged for loans amounting to

\$342,424,000. Of this total, 843,000 bales were pooled on August 1, 1945 and subsequently sold by the Corporation for the account of producers on August 1, 1945. The 2,000 bales which remained, and had not been redeemed from farm storage loans, were acquired outright by the Corporation. In addition to a purchase program, American Egyptian cotton was supported by a loan program at a support rate of $40.92\frac{1}{2}$ cents per pound for No. 2, $1\frac{1}{2}$ inches staple. During the crop year 2,182 bales were pledged for loans valued at \$302,458. 1,115 bales were redeemed covering a loan value of \$156,829, and the remaining 1,067 bales were transferred to the pool for sale. Under the purchase program, 45,537 bales were purchased at a cost of \$10,545,256.

1944-Crop Loan Program

The Stabilization Act of 1942 was amended by the Stabilization Extension Act of 1944, and made it mandatory that the Corporation make loans at $92\frac{1}{2}\%$ of the parity price as of the beginning of the crop year, August 1. The loan rate for middling 15/16 inch cotton, gross weight, was set at 20.55 cents per pound. This was converted to a net-weight basis by adding 85 points, making an average rate of 21.40 cents. The rate varied from a high of 21.94 cents per pound in the mill areas of the Carolinas to 20.73 cents per pound in Arizona and California. On October 3, 1944, the President signed the Surplus Property Disposal Act which increased the support level from $92\frac{1}{2}\%$ of parity to 95% of parity. The change resulted in an addition of 53 points for all qualities and locations. The new average rate, therefore, was 21.93 cents per pound, net weight, with a high of 22.47 cents per pound in the mill area of the Carolinas and a low of 21.36 cents per pound in Arizona and California. Additional payments were made to producers who already had received loans.

There were 2,122,000 bales of 1944 crop cotton pledged for loans amounting to \$218,276,000. Section 3 of the Stabilization Act of 1942, as amended by the Stabilization Extension Act of June 30, 1944, required the President to take all lawful action to assure the producers of certain commodities the higher of

(1) the parity or the comparable price or (2) the highest price received by producers for the commodity between January 1, 1942 and September 15, 1942. Since, in the case of cotton, the parity price was the higher of the two, the Commodity Credit Corporation announced on September 24, 1944 that open market purchases of 1944 crop cotton would be made at 100% of parity. The producer who had placed his cotton under loan was therefore able to redeem his collateral and then sell the cotton to the Corporation at the higher price. Nearly 2,500,000 bales of cotton were purchased under this program and as a result of this operation only a relatively small portion of the cotton placed under loan was not redeemed. The loans still outstanding at the maturity date were allowed to be carried in past due status until July 1, 1946 when they were pooled. There were 129,000 bales pooled for the account of the producers. During the Crop Year 1944, American Egyptian cotton was supported only by a loan program. The support rate was set at the same rate as the year previous of 40.92 $\frac{1}{2}$ cents for No. 2, 1 $\frac{1}{2}$ inches staple. Only 262 bales were pledged for loans totaling 42,341, of which \$11,632 was repaid releasing 61 bales. The remaining 201 bales with a loan value of \$30,708 were pooled for the account of the producers.

1945-Crop Loan Program

The average loan rate for middling 15/16 inch cotton was 21.09 cents per pound gross weight. This reflected 92-1/2% of parity on August 1, 1945. In order to simplify administration of the program as well as to make loan rates and market rates comparable, the loan was made on a gross weight basis. In early years, the loans were made on a net weight basis by deducting 21 pounds per bale for jute bagging and 14 pounds for cotton bagging. With this program and in all subsequent programs the gross weight was used, and 7 pounds per bale were added for computing loan value if cotton bagging instead of jute bagging was used. Due to location differentials, the loan rate varied from a high of 21.63 cents per pound in the mill area of the Carolinas to a low of

20.42 cents per pound in Arizona and California.

Participation under the program was very small due to the fact that cotton prices grew progressively stronger through the marketing season. The price of middling 15/16 inch cotton on the 10 spot markets exceeded 30 cents per pound in the spring of 1946. Altogether, 216,000 bales were pledged for loan, having a loan value of \$22,285,000. Only 2,000 bales were pooled for the account of producers on October 1, 1946. Although a loan program to support American Egyptian cotton was in effect during the 1945 Crop Year, only 68 bales with a loan value of \$12,056 entered the program. These subsequently were pooled at maturity, there being no repayments. The loan rate was established at 42.77½ for No. 2, 1½ inches staple.

1946-Crop Loan Program

With continued high prices, the participation in the 1946 loan program was extremely small. Only 146,000 bales were pledged for loan and approximately 3,000 bales were left by producers for pooling by the Corporation on August 1, 1947.

The average loan rate, based on 92-1/2% of parity, was 24.38 cents per pound for middling 15/16 inch cotton, gross weight. Variation for location resulted in a range from 24.94 cents per pounds in the Carolina mill areas to 23.69 cents per pound in Arizona and California. American Egyptian cotton was supported by making available to producers, loans at 49.55 cents per pound for Grade No. 2, 1½ inches staple. Loans were made in the amount of \$208,000 secured by collateral of 940 bales. Only 1 bale was released by repayment and the remaining 939 bales were pooled for the account of the producer and subsequently sold during the FY 1948.

1947-Crop Loan Program

The average loan rate for middling 15/16 inch cotton was again based on 92-1½% of parity, which was equivalent to 27.94 cents per pound, gross weight. Only 280,000 bales entered the loan, of which 251,000 bales were redeemed and 29,000 bales were pooled for the account of producers on August 1, 1948. The loan rate varied from a high of 28.55 cents per pound in the mill areas of the Carolinas to a low of 27.24 cents per pound in Arizona and California.

The cotton markets remained firm and strong throughout the year, with spot prices exceeding loan values by 4 or 5 cents per pound. This accounted for the very small number of loans made under this program. American Egyptian cotton was supported by making loans available to producers at 56.70 cents per pound for Grade No. 2, 1½ inches staple. Loans were made in the amount of \$123,000 covering 450 bales. 32 bales with a loan value of \$6,800 were pooled for the account of the producers, and the remainder (418 bales) were released when \$116,000 in repayments were made.

1948-Crop Loan Program

With the production of 14.6 million bales of cotton, the highest since 1937, cotton prices tended to decline to about the loan level. Since price support was mandatory at 92-1/2% of parity as of August 1, 1948, the average loan rate for middling 15/16 inch cotton was 30.74 cents per pound, gross weight. For the first time, loans were made on bills of lading in those areas where warehouse space was not available and producers desired loans on their cotton. The loan rates varied from a high of 31.44 cents per pound in the Carolina mill area to a low of 30.02 cents per pound in Arizona and California.

Loans were made on 5,271,775 bales with a loan value of \$822,634,000 of which 3,778,000 bales with a value of \$599,734,905 were pooled on August 1, 1949 for the account of the producers.

The average loan rate for American Egyptian cotton, Grade No. 2, $1\frac{1}{2}$ inches was 61.20 cents per pound. Loans in the amount of \$157,215 were made against the 1948 Crop, which were secured by 550 bales. This amount was subsequently pooled for the account of the producers and sold during the FY 1951.

1949-Crop Loan Program

Pursuant to the Agricultural Act of 1948 the Secretary of Agriculture was authorized and directed to support prices received by cotton producers for 1949 crop cotton at 90 percent of parity as of August 1, 1949, the beginning of the marketing year. The average loan rate for middling $15/16$ inch cotton based on 90 percent of parity was 29.43 cents per pound, gross weight. The loan rate varied from a high of 30.17 cents per pound in the mill area of the Carolinas to a low of 28.68 cents per pound in Arizona and California.

Production totaled 15,909,000 bales from approximately 27,439,000 acres. Producers placed 3,190,000 bales under loan of which 3,105,000 were redeemed and 85,000 bales were pooled on October 1, 1950 for the account of producers. American Egyptian cotton was supported by making loans available to producers. Where no such facilities were available loans were made on bills of lading. All loans were made on the basis of 57.95 cents per pound for No. 2, $1\frac{1}{2}$ inches staple. During the crop year, loans totaling \$1,006,000 were made secured by 3,518 bales. Repayments totaling \$844,500 released all the collateral except 626 bales valued for loan purposes at \$161,800 which were pooled for the account of the producers and sold during the FY 1951.

1950-Crop Loan Program

The Secretary of Agriculture on October 13, 1949 proclaimed a national marketing quota of 11,733,750 bales for the 1950 cotton crop and announced a national acreage allotment of 21,000,000 acres. (The law specifically required that for the 1950 crop cotton the national acreage allotment should not be less than 21 million acres.)

On March 16, 1950 the Department announced that there would be no price support program for extra long staple cotton produced in 1950. It was determined that under the Agricultural Act of 1949 price support under the Act was discretionary for the 1950 crop of extra long staple cotton.

Cotton production for 1950 was 9,908,000 bales from 17,843,000 acres harvested. The average loan rate of middling 15/16 inch cotton was 29.45 cents per pound gross weight. That rate reflected 90 percent of parity on August 1, 1950. The loan rate for middling 15/16 inch cotton varied according to location from a high of 30.23 cents per pound in the mill area of the Carolinas to a low of 28.68 cents per pound in Arizona and California.

The market price of cotton was several cents higher than the loan rate with result that only 8,000 (mostly of the longer staple lengths) bales were pledged for loans, of which 5,000 were redeemed and 3,000 were pooled on August 1, 1951 for the account of the producers.

1951-Crop Loan Program

The Secretary of Agriculture announced on October 3, 1950 that there would be no marketing quotas on upland or extra long staple cotton produced in 1951 and that there would be no acreage allotments on the 1951 cotton crop. It was later announced on February 14, 1951, that middling 7/8 would be supported at a minimum of 29.63¢ (the first year an announcement was made under Section 403 of the Agricultural Act of 1949, as amended).

Production for 1951 totaled 15,072,000 bales from 26,687,000 acres harvested. The average loan rate for middling 15/16 inch cotton based on 90 percent of parity at the beginning of the marketing year (30.46¢ per pound for middling 7/8) was 31.71 cents per pound, gross weight. The loan rates varied from a high of 32.55 cents per pound in the mill area of the Carolinas to a low of 30.97 cents per pound in Arizona and California.

Cotton prices for most qualities of cotton continued well above the loan rates and 1,115,000 bales with a loan value of \$171,801,000 were placed under loan. Producers redeemed 881,000 bales and 234,000 bales were pooled on August 1, 1952 for their account.

Pursuant to a request from the Army and Navy Munitions Board, Commodity Credit Corporation established a purchase program for 1951-crop Amsak and Pima 32 varieties of American-Egyptian cotton. Purchases were made from August 1, 1951 through April 30, 1952 and were limited to those areas which normally produce American-Egyptian Cotton. The support price was at the rate of \$1.04 per pound, net weight, for Grade No. 2, 1-1/2 inches in staple length, with appropriate premiums and discounts for other qualities and location differentials between the Arizona-California area and the New Mexico-Texas area. Under the American-Egyptian cotton program, 35,647 bales were purchased for \$17,469,000.

1952-Crop Loan Program

Marketing quotas and acreage allotments were not in effect for the 1952 crop cotton. Production totaled about 15,139,000 bales from approximately 25,841,000 acres harvested for an average of 293 pounds yield per acre.

The 1952 crop-upland cotton was supported by non-recourse warehouse and farm-storage and bill of lading loans and by purchase agreements available from time of harvest through April 30, 1953. Loans were made by local banks, production credit association, and other qualified local agencies that entered into agreements with CCC to make the loans. The administration of the program at the producers level was handled largely by the Pima State and County committees. Direct loans were made by CCC and purchase agreements were available to producers through CCC.

The average loan rate for middling 15/16 inch cotton was 31.96 cents per pound, gross weight. Price support rates varied according to location. The rate for middling 15/16 inch cotton, gross weight, varied from a high of 32.94 cents per pound in the mill area of the Carolinas to a low of 31.16 cents per pound in Arizona and California.

Producers pledged 2,307,413 bales with a loan value of \$369,289,000 and of that amount 629,000 bales with a loan value of \$96,598,000 had been redeemed prior to August 1, 1954, when all unredeemed cotton (1,675,000 bales) was purchased by CCC.

A program was authorized to support the price of 1952-crop Amsak and Pima 32 varieties of American-Egyptian cotton to producers by means of a purchase program. The program provided for the sale by CCC to the Secretary of Agriculture, under the Defense Production Act of 1950, as amended, of all cotton acquired by CCC and not transferred to the national stockpile. The program provided that purchases would be made from August 1, 1952 through April 30, 1953.

The purchase rate for Grade No. 2 cotton, 1-1/2 inches in staple, usually considered the base quality, averaged 106.90 cents per pound in the Arizona-California area and 107.30 cents per pound in the New Mexico-West Texas area.

During the 1952 Crop Program, the Corporation purchased 93,100 bales (including 31,000 bales that did not meet stockpile specifications) of American-Egyptian cotton for \$47,286,000.

1953 Crop-Loan Program

As in the 1952 program, marketing quotas and acreage allotments were not in effect for the 1953 cotton crop. Production totaled 16,465,000 bales from 24,341,000 acres harvested during the crop year, for a record yield to that date of 324 pounds an acre.

The 1953 crop of upland cotton was supported by means of nonrecourse warehouse farm storage, and bill of lading loans, which were available to

producers from time of harvest through April 30, 1954. Loans could be secured through local banks, production credit associations, and other qualified local agencies that entered into agreements with CCC to act as agents of CCC in the handling of loan transactions direct from CCC.

The average loan rate was 32.70 cents per pound for middling 15/16 inch upland cotton, with differentials for location. The rate for middling 15/16 varied from a high of 33.71 cents per pound in the Carolinas to a low of 31.93 cents in Arizona and California.

Producers placed under loan 6,767,000 bales of upland cotton (an all time record) having a loan value of \$1,134,000,000. As of December 31, 1954, 1,809,000 bales had been redeemed covering loans totaling \$295,293,000. As of May 6, 1954, CCC announced that all outstanding loans as of the maturity date, July 31, 1954, would be carried in a past due status through July 31, 1955, giving producers an additional 12 months in which to repay their loans after which CCC would purchase any unredeemed cotton.

In addition to the upland cotton program, extra long staple cotton was likewise supported by nonrecourse warehouse, farm storage and bill of lading loans at varying prices for grades of American-Egyptian, Sea Island and Sealand cotton. The loan rate for American-Egyptian was 74.52 cents per pound, and for Sea Island and Sealand was 56.22 cents per pound, for an overall average of 73.92 cents for extra long staple cotton.

Producers pledge approximately 64,800 bales of extra long staple cotton for loans with a loan value of \$23,312,000. Only two bales having a loan value of \$777 had been redeemed by December 31, 1954.

1954-Crop Loan Program

The 1954-Crop Program again provided for compliance with marketing quotas and acreage allotments as a condition of eligibility. Support was provided by means of nonrecourse warehouse, bill of lading, and farm-storage loans, based on a support price that varied according to mill area and grade of cotton. The average support price for middling 15/16 inch upland cotton was 33.23 cents per pound at average location. The rate for middling 15/16 inch varied from a high of 34.26 cents per pound in selected locations in the Carolinas to a low of 32.48 cents per pound in Arizona and California.

As of December 31, 1954, approximately 1,786,000 bales of 1954 crop cotton had been placed under loan with a loan value of \$300,379,000. Of this amount, \$20,220,000 had been repaid covering 122,866 bales.

Extra long staple cotton was supported by the same type loans applicable to upland cotton. The average loan rate for all long staple cotton was 65.25 per pound, or 90 percent of parity, whichever was higher. On the basis of this average rate, American-Egyptian was supported at 65.53 cents per pound, and Sea Island and Sealand at 56.22 cents per pound. A location differential of 0.4 cents per pound was established for American-Egyptian cotton grown in the Arizona-California area to equalize freight costs with the West Texas-New Mexico area. No location differentials were established for Sea Island and Sealand since production was confined within the Georgia-Florida-Puerto Rico area.

As of December 31, 1954, 18,785 bales of extra long staple cotton had been placed under loan for a value of \$6,208,000. No loans had been repaid at that date.

UNITED STATES DEPARTMENT OF AGRICULTURE
COMMODITY CREDIT CORPORATION

TABLE 1: SUMMARY OF COTTON LOAN PROGRAMS 1933-1954 a/

Crop Year	Crop	Production : (1000 Bales)	Quantity : (1000 Bales)	% of Total : to U.S. Prod.:	Loan Value: (\$1000)	Quantity : (1000 Bales)	Loans Repaid : (\$1000)	Loan Value: (\$1000)	Quantity : (1000 Bales)	Value : (\$1000)	Total Net Gain: (\$1000)	Net Results : (\$1000)	Net CCC Gain: (\$1000)	Producers Equity: (\$1000)
1933		12,664	1,926	15.2	99,498	1,926		99,498		-	-	-	-	-
1934	<u>b/</u>	9,472	4,632	48.9	282,644	2,967		172,790	1,665	109,854	193,525	c/	193,525	-
1935		10,420	115	1.1	5,777	115		5,777	-	-	-	-	-	-
1936		12,141	-	-	-	No Loan		-	-	-	-	-	-	-
1937		18,252	5,581	30.6	243,275	325		13,562	5,256	229,713	-	-	-	-
1938		11,623	4,482	38.6	205,329	4,453		203,926	29	1,403	1,105	-	113	992
1939		11,481	30	.03	1,324	30		1,318	d/	6	6	e/	6	6
1940		12,298	3,180	25.9	153,140	3,175		152,961	5	179	155	-	149	149
1941		10,495	2,221	21.2	153,012	1,887		127,176	334	25,836	5,421	-	2,308	3,113
1942		12,438	3,143	25.3	290,762	1,866		183,047	1,277	107,715	11,316	f/	9,396	1,920
1943		11,129	3,594	32.3	342,424	2,749		277,404	845	65,020	11,245	g/	5,061	6,184
1944		11,839	2,122	17.9	218,276	1,993		206,376	129	11,900	4,573	h/	735	3,838
1945		8,813	216	2.5	22,285	214		22,094	2	191	92	-	8	84
1946		8,517	145	1.7	17,761	142		17,337	3	424	55	-	5	50
1947		11,557	280	2.4	36,688	251		33,813	29	2,875	307	-	58	249
1948		14,580	5,272	36.2	822,634	1,490		227,486	3,781	595,139	97,281	-	30,020	67,261
1949		15,909	3,190	20.1	458,867	3,105		443,876	85	14,736	1,594	-	752	842
1950		9,908	8	0.1	1,656	5		955	3	701	32	-	22	10
1951		15,702	1,115	7.4	171,801	881		141,227	234	30,577	927*	-	927*	-
1952		15,139	2,307	15.2	369,289	629		96,598	1,677	279,499	478	-	478	-
1953		16,465	6,831	41.5	1,157,300	1,809		295,294	-	-	-	-	-	-
1954	<u>i/</u>	13,569	1,805	13.3	306,587	123		20,220	-	-	-	-	-	-
TOTAL		274,411	52,195	19.0	5,360,329	30,135		2,742,735	15,354	1,475,769	326,258	-	241,560	84,698

a/ Includes American-Egyptian cotton. (Product Table 1A to arrive at Upland Cotton)

b/ Net results from sale of 1934 and 1937 cotton were not recorded separately for each crop.

c/ Net gain from sale of cotton to which CCC took title for its own account.

d/ Less than 500 bales.

e/ Less than \$500.

f/ \$84,000 represents net gain from sale of cotton to which CCC took title for its own account.

g/ \$93,000 represents net gain from sale of cotton to which CCC took title for its own account.

h/ \$1,000 represents net gain from sale of cotton to which CCC took title for its own account.

i/ Preliminary (as of December 31, 1954)

UNITED STATES DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

Cotton

Table 2: Selected Factors Affecting CCC Loans on Cotton by Crop Years 1933-1954 g/

	Carry-over	CCC Owned &	Crop Production	Farm Price	Aug. Price	Average
Crop Year					Mid 15/16" at	Loan Rate
Beginning	Free Stocks	Pooled Cotton	tion a/	(¢ per lb.)	10 Spot Mkts.	15/16" Cotton
August 1	(1000 Bales)	(1000 Bales)	(1000 Bales)	b/	(Cents per lb.)	(¢ per lb.)
1933	8,165	:	12,664	10.17	11.00	10.00
1934	7,744	:	9,472	12.36	12.68	12.00
1935	7,208	:	10,420	11.08	11.88	10.00
1936	5,409	:	12,141	12.34	13.25	No Loan
1937	4,499	:	18,252	8.40	9.09	9.00
1938	11,533	:	11,623	8.58	9.00	8.60
1939	13,033	:	11,481	9.06	10.09	8.95
1940	10,564	:	12,298	9.83	11.00	9.15
1941	12,166	:	10,495	16.95	18.31	14.22
1942	10,640	:	12,438	18.90	20.14	17.22
1943	10,657	:	11,129	19.76	20.65	19.26
1944	10,744	:	11,839	20.72	21.86	21.08
1945	11,164	:	8,813	22.51	25.96	21.09
1946	7,326	:	8,517	32.63	34.82	24.38
1947	2,530	:	11,557	31.92	34.58	27.94
1948	3,080	:	14,580	30.38	32.15	30.74
1949	5,287	:	15,909	28.57	31.83	29.43
1950	6,846	:	9,908	39.90	42.58	29.45
1951	2,278	3,138	15,072	37.69	39.42	31.71
1952	2,789	2	14,951	34.17	34.52	31.96
1953	5,605	32	16,465	31.72	33.55	32.70
1954	9,728	159	13,569	34.28	34.15	32.90

a/ Includes American-Egyptian Cotton

b/ All cotton 1933-34, and Upland cotton 1935 forward

c/ As of September 30, 1939

d/ Preliminary

e/ Average price of August and September 1954

f/ Includes 31,000 bales held for account of the Secretary of Agriculture under Defense Production Act 1950

g/ As of December 31, 1954

UNITED STATES DEPARTMENT OF AGRICULTURE
COMMODITY CREDIT CORPORATION

TABLE 3: ANALYSIS OF COTTON PROGRAM RESULTS FROM OCTOBER 17, 1933 THROUGH JUNE 30, 1954
(Realized Gains and Losses)

PRICE SUPPORT PROGRAMS										OTHER PROGRAMS					Total
Fiscal Year Ended June 30	Domestic Cotton	Puerto Rican Cotton	Export Differential-: owned Cotton	Cotton Rubber Barter	American-: Egyptian Cotton	Total Price Support	Supply Program and: Linters	Foreign Purchase Program Cotton	Export Differential-: Exporters Cotton	all Cotton Programs					
1934															
1935															
1936	\$ 8,648,441*					\$ 8,648,441*				\$ 8,648,441*					
1937	5,284,004*					5,284,004*				5,284,004*					
1938	440,353*					440,353*				440,353*					
1939	52,446*					52,446*				52,446*					
1940	786,360*					786,360*				786,360*					
1941	12,190,194*					12,190,194*				12,190,194*					
1942	63,334,939			\$11,090,907		74,425,846				74,425,846					
1943	25,525,792					25,525,792				25,525,792					
1944	27,373,731			35,456*		27,182,154	\$1,283,411	\$1,772,221		30,237,786					
1945	22,940,882	\$ 12,130*	\$ 2,922,051*		151,153	20,157,854	158,344	2,797,918	\$ 29,456*	23,084,660					
1946	79,152,962	113,881*	24,729,309*		533,605*	53,776,167	150,796	869,325	7,069,238*	47,727,050					
1947	46,536,525	4,187*	13,735,415*		37,023	32,833,946	24,865	457,029	5,490,500*	27,825,340					
1948	344,914*		25,557		6,577	312,780*	245,904	758*	8,120*	75,754*					
1949	1,023,816*				2*	1,023,818*	12,879		60,632	950,307*					
1950	3,419,604				-	3,419,604			1,753	3,421,357					
1951	28,938,218				14,358	28,952,576		2,617	3,729*	28,951,464					
1952	148,924				175,206	324,130		2,617*	1,494	323,007					
1953	381,572*				294,665	86,907*		-	-	86,907*					
1954	1,796,768*				39,547	1,757,221*	-	-	-	1,757,221*					
Total	\$266,422,709	\$130,198*	\$41,361,218*	\$11,055,451	\$ 28,801	\$236,015,545	\$1,876,199	\$5,895,735	\$12,537,164*	\$231,250,315					

* Denotes loss

COMMODITY CREDIT CORPORATION

TABLE 1A - SUMMARY OF AMERICAN EGYPTIAN COTTON LOAN PROGRAMS 1942-1954

Crop Year:	Support Rate	Plotted for Loan	Loans Repaid	Trans. to Pools or Acq.	Purchases	Net Results	
:	No. 2, 1 1/2 inch:	Quantity (bales):	Loan Value:	Quantity Bls.:	Value	Total Gain: CCC Gain: Prod. Equity:	
1942	3/48.00	:	:	:	5,572	1,086,373	507,051*: 507,051* 71 -0-
1943	:	40.92 1/2	2,182	1,115	1,067	45,537	10,545,256: 3,901: 1,724: 2,177
1944	:	40.92 1/2	262	61	201	-0-	-0-: 2,783: 342: 2,441
1945	:	42.77 1/2	68	-0-	68	-0-	-0-: 208,013: 6,575: 67,661
1946	:	49.55	940	1	939	-0-	: 6,118: 1,296: 526: 770
1947	:	56.70	450	418	32	:	: 157,215: 14,934: 7,192: 7,742
1948	:	61.20	550	-0-	550	:	: 161,986: 53,976: 6,639: 47,337
1949	:	57.95	3,518	2,887	626	:	:
1950	1/	:	:	:	:	:	:
1951	3/104.00	:	:	:	:	:	:
4/1952	3/107.10	:	:	:	35,647	47,468,754:	175,217: 175,217: -0-
1953	2/73.92	:	64,802	3	904	47,285,811:	332,969: 332,969: -0-
2/1954	2/65.25	:	35,872	455	119,195	:	:

1/ No support program in effect for the 1950 Crop Year.

2/ Includes Sea Island & Sealand types - average for all qualities.

3/ Purchase rate

4/ Basis grade No. 3, 1 1/2 inch staple.

5/ Preliminary

